

# Debt Collection for SMEs - Selecting the right collections partner to protect you bottom line and client relationships

*There is a fine balance for SMEs to strike in collecting on outstanding debts*

JOHANNESBURG, SOUTH AFRICA, March 3, 2023 /EINPresswire.com/ -- In an environment of rising interest rates, growing consumer indebtedness, job losses, business closures and the increased costs of working due to load shedding, many businesses and consumers are facing unprecedented levels of financial distress. Small and medium sized businesses in particular are taking strain, facing the growing risk of once diligently paying debtors now finding themselves unable to service their account payments, threatening the cash flow and sustainability of the business.

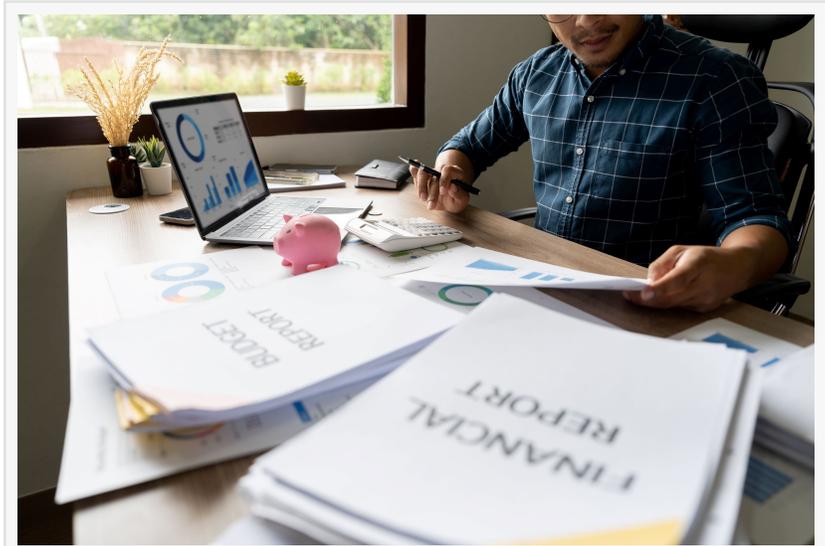
“There is a fine balance for SMEs to strike in collecting on outstanding debts. In these tough economic times, even accounts past 30 days can push a small business into the red. While they may want to avoid going the debt collections route for fear of damaging relations with their customers, the reality is that unpaid debt will limit the ability of the business to recover, grow and remain sustainable. It’s also not a task that should be taken up on a DIY basis. There are specific regulations that must be complied with, it is resource intensive and at the end of the day, you want to maintain the client relationships for future business. A professional, independent collections partner is best positioned to handle this crucially important task,” explains Tshepiso Lehlabi, New Business Developer at ITC Business Administrators, a professional debt collections agency and part of the Alefbet Holdings Group.



Tshepiso Lehlabi, New Business Developer at ITC Business Administrators

“In assessing the suitability of a collections partner for your business, work with a collections

partner that understand the many nuances of your small business and its customer relationships – think schools, healthcare practices and so on where the customer relationships are often very personal and long standing. Look for a collections partner that is able to bring a data-driven and empathetic approach that sees your business recover what's due, but also helps maintain a positive relationship with your clients, ensuring that your collections are fully compliant with the regulations and best practices for your industry sector. This is particularly important at a time when many customers who were previously in



Key considerations in selecting the right collections partner to protect you bottom line and client relationships

good standing now find themselves defaulting on their financial commitments through no fault of their own, and requires significant empathy, professionalism and knowledge of how to help debtors restructure their debt and catch up on their repayment commitments, as well as safeguard the relationship for future business,” explains Tshepiso.

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*Tshepiso Lehlabi, New Business Developer at ITC Business Administrators*

Tshepiso unpacks a number of key reasons why small and medium-sized businesses should consider the services of a professional debt collections partner.

“First and foremost is Cash Flow Management. In any small business business, unpaid and long outstanding debts can kill cash flow and liquidity. A professional collections partner can help to recover those debts faster, more efficiently and compliantly. This is especially important for small businesses that rely on a steady cash flow to maintain operations, ensuring that your business is able to meet its financial obligations and invest in growth opportunities. Collecting debts on time will also help maintain profitability - when customers do not pay their

bills on time, the business loses out on potential profits. Small businesses also need to have a steady cash flow to grow their business – without cash flow, it's difficult to invest in new opportunities, hire additional employees, or expand the business,” he explains.

“Having a proper [debt collection](#) process in place will also help the business avoid having to go the legal route to recover the money owed. Time and resources of collection debt is another important consideration. Pursuing unpaid debts can be time-consuming and resource-intensive

for small business owners and your employees also won't have the requisite skills or grasp of the regulations around debt collection. By outsourcing this task to a debt collector, you free up time and people resources to focus on the core areas of the business. Pursuing unpaid debts can sometimes strain business relationships with customers or clients – this is especially the case in businesses that have ongoing relationships with their debtors like medical practices and schools for example. By using a third-party debt collector, a small business removes any personal challenges and can maintain a professional relationship with the debtor while still pursuing payment. Finally, debt collectors bring legal expertise and knowledge of debt collection laws that are beneficial for small businesses and ensures that every debt collection process is conducted in a legal and ethical manner that also safeguards the relationship for future business," he adds.

In selecting the right collections partner for your small business, Tshepiso provides sound advice. "Find a collections partner, not a debt collector. Work with a collections partner with a proven track record in partnerships, versus one that has a client/vendor approach. It's imperative that an external collections partner acknowledges that every client is unique and spends the time to research and understand what 'success looks like' for your business. There is no one-size-fits-all solution to collections. The industry, client base, financial provisioning and regulations differ, so it's vital to have a partner that assesses these factors in detail to deliver a successful collections strategy aligned to your objectives and circumstances, and those of your customers.

"Consider the size and scaling capability of your preferred partner – they should efficiently manage the portfolio given, and maintain quality standards and customer retention at the same time. Look for a scalable set-up that can rapidly respond to changing circumstances in the macro/country environment as well as within your business environment. Check whether your preferred collections partner uses supplied data effectively and augments this with their expertise, able to tap into additional resources to engage with a debtor. How strong are the data analysis and interpretation capabilities, and are they able to apply the appropriate treatment to the data, at the right time, in the correct medium to best reach and engage each debtor," advises Tshepiso.

"Technology is key and today you need omni-channel communication tools that incorporate traditional as well as digital channels to effectively communicate, report and pivot between requirements of your business and its customers. It's tempting to compare agencies based on initial price only, but what's more important is how much cash they actually return to the business and their recovery rate, especially when it comes to complex debt collection. A collections partner may have a higher initial fee, but a better recovery rate and agent quality that delivers a better ROI for your business. It's important to measure the real returns versus the perceived expense."

Finally and fundamentally, it's also about customer service. "Every customer is unique in terms of their personal and employment circumstances. Is your collections partner able to use and corroborate internal and external data sources to empower collections agents to have

meaningful and constructive conversations with your customers, at the right time, via the right channel? By better understanding each debtor's circumstances and behaviour, your collections agency should be able to segment and risk rate debtors more precisely and activate the right conversations – the ideal being to rehabilitate their account and bring them back on track, and if that's not possible, find ways to restructuring their debt, offer individual settlement packages or even payment holidays if their immediate situation is untenable.

“The right collections partner can work wonders for your cash flow, provisioning and actually enhance your business reputation, especially at the current time when millions of debtors are facing incredibly challenging circumstances. At the end of it all, the best outcome is one where the debt is successfully recovered and the debtor remains a loyal customer as they were treated fairly, with dignity and respect for their unique circumstances. Asking the right questions when assessing a collections partner for your small business will go a long way in ensuring that you get the best results in debt recovery and brand reputation in the long term,” concludes Tshepiso.

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